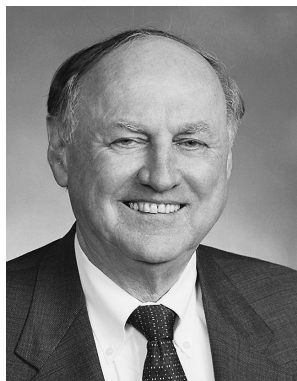


Jim Horn

2003 session review**How you can reach me...**

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Senate committee
assignments:

- Highways and
Transportation, chair
- Higher Education
- Government Operations
and Elections

Dear Friends,

After a 105-day regular session and two special sessions totaling 31 days, the 2003 Legislature finally concluded its work on June 11.

Several important issues were tackled during our time in Olympia, including:

- Addressing a \$2.6 billion operating budget deficit, the largest in state history;
- Finding a solution to Washington's ongoing traffic problems while implementing further reforms of the state's transportation system;
- Improving Washington's mediocre business climate to help create more jobs and improve the economy; and
- Adding capacity to the state's colleges and universities before the expected peak enrollment demand in 2008.

These and other issues are discussed inside this report. If you have any questions, comments or concerns about the issues addressed by the Legislature, please share them with me. You can reach my Olympia office by phone, e-mail or regular mail.

It continues to be a pleasure and honor to serve as your state senator.

Sincerely,

A blue ink handwritten signature of Jim Horn, consisting of a stylized 'J' followed by 'Horn'.

Sen. Jim Horn

No general tax increase in 2003-05 operating budget

When the Legislature began its session in January, it faced a terrible state operating budget crisis. At that time, the budget deficit was \$2.6 billion, the largest in Washington history.

A debate was brewing in Olympia over whether to fix the budget by raising taxes or by reducing spending. Prior to session, Gov. Locke unveiled a budget plan that didn't include a general tax increase. Following the governor's lead, Republican legislators maintained that we needed to (and could) pass a new two-year budget without raising taxes. Our rationale was that with so many people struggling economically, a tax increase would add to their financial burden. A tax increase also would make it harder for the economy to rebound.

Many doubted the budget could be fixed without a tax increase. But it happened. During the special session, the Legislature approved a \$23 billion operating budget that makes a number of spending reductions while still maintaining services for our most vulnerable citizens. This budget forces state government to live within its means, just as many families have been forced to do during these tough economic times.

The compromise budget closes the deficit gap by laying off more than 1,300 state employees, trimming health care enrollments, freezing most state worker salaries and most new education spending, and tightening agency spending.

Although there is no general tax increase, the budget imposes a 30-cents-per-liter increase in the price of liquor. The budget also authorizes colleges and universities to raise tuition rates by up to 7 percent for resident undergraduates. The state's \$400 million windfall from the new federal tax relief bill will be kept unspent, just in case there is a revenue downturn later this year.

Other budget highlights:

Teacher salaries. Although the budget freezes the pay raises that were due for all public K-12 teachers, it gives raises to teachers in their first seven years. In fact, starting teachers will make more than \$30,000 a year by 2004.

School class sizes. The budget includes \$30 million more for class-size reduction than Gov. Locke requested, boosting the per-student grant by \$254 in the second year of the budget biennium.

Protecting vulnerable citizens. While several tough and unpopular cuts had to be made, the final budget preserved state funding for the developmentally disabled, mentally ill, elderly in nursing homes and at-risk children. In fact, it restores more than \$150 million in cuts proposed by the governor.

Higher education. Although the budget allows colleges and universities to raise tuition by as much as 7 percent for resident undergraduate students, it helps higher education in several ways:

- \$26.1 million more in funding for the State Need Grant program.
- A \$20.9 million funding increase for high-demand/cost programs. This funding will help increase the capacity of colleges and universities to deliver training and degree programs in high-demand fields, such as worker retraining programs, nursing and other health services, applied science and engineering, computing and information technology, teaching and other fields.
- \$10 million for colleges and universities to recruit and retain faculty and professional staff.
- A \$1.8 million funding increase for Washington Scholar and vocational excellence awards.

Higher education measures passed by Legislature:

- EHB 1808 allows all Washington colleges and universities to offer electrical engineering programs, as long as the Higher Education Coordinating Board approves their request. Currently, only the UW and WSU may offer electrical engineering degrees. (I prime-sponsored a similar measure — SB 5475 — this year.)
- E2SSB 5135 requires four-year schools and the State Board for Community and Technical Colleges to adopt policies ensuring students complete their degree program in a timely manner. Under this measure that was called the “lingering student bill,” schools are allowed, but not required, to impose a tuition surcharge on students who have earned more than 125 percent of the credits needed for a degree.
- SSB 5189 waives college tuition for Korean conflict veterans wanting to attend Washington state universities, colleges or technical colleges.
- ESSB 5448 authorizes four-year colleges and the SBCTC to set tuition rates for graduate, out-of-state and professional students until 2009. The Legislature will retain the authority to set tuition rates for resident undergraduates.



Legislature passes key bills to land Boeing's new 7E7 project

Later this year, Boeing will decide whether to build its 7E7 final assembly project in Washington or in another state. The 7E7 project will create thousands of jobs, jobs that would help our state economy.

The deadline for Washington to submit its proposal to Boeing for the 7E7 was June 20. With that deadline looming, the Legislature, during the special session, passed two key bills that could help bring the 7E7 and more jobs to Washington.

The first is a measure reforming the state's unemployment insurance system. Washington's UI system is one of the most costly in the nation, a point often made by Boeing and other businesses in our state. The average UI cost per employee in Washington is three times the national average. It's important to bring our system more in line with the rest of the U.S. and make it more fair and equitable for businesses. Passing this bill helps improve Washington's business climate.

The measure makes changes to several areas of the UI system. It:

- Reduces the maximum duration of unemployment benefits from 30 weeks to 26 weeks, the limit used by many other states;
- Freezes the maximum benefit check for jobless workers at \$496 a week until that figure falls from 70 to 63 percent of the state's average weekly wage;
- Calculates a jobless worker's benefits based on his or her average wage over the past year, instead of calculating benefit amounts based on the worker's two highest-earning quarters from the past year; and
- Rebalances the business-tax collection system so that businesses will pay nearly the same amount in unemployment taxes as their laid-off workers use.

The second key bill signed into law is a package of tax incentives saving Boeing about \$3 billion over 20 years.

The package includes:

- B&O tax reductions for the aerospace industry;
- B&O tax credits for research and development;
- Sales tax exemptions for computer hardware and software used in the design and engineering of airplanes and their components;
- Sales tax exemptions on any new construction or improvement either in Everett or Moses Lake; and
- Property tax relief on new facilities and equipment for Everett or Moses Lake.

Legislature makes progress in improving business climate

This year, the Senate approved several bills to improve Washington's business climate and reduce government regulations. While some of these measures failed to pass in the House, some business climate-related measures did pass the Legislature. Here is a rundown on some of them:

- SB 5256 insists on the completion of cost-benefit analyses earlier in the rule-making process.
- SB 5766 requires 200 days notice to businesses affected by significant rules.
- HB 1530 allows citizens or businesses to challenge agency rules in the county where they live, work or own affected property. (Vetoed by the governor.)
- HB 1531 requires the governor's approval of state agency rules. (Vetoed by the governor.)

State transportation funding plan to pay for needed projects

Last fall, Washington voters strongly rejected Referendum 51, the transportation funding plan that would have imposed a 9-cent increase in the state gas tax, as well as other tax and fee hikes to pay for a large number of highway and other projects.

As the new chairman of the Senate Highways and Transportation Committee, I worked with my Senate and House colleagues — Republicans and Democrats — this session to create a strong, comprehensive transportation package different than R-51. We focused on needed projects, as well as accountability and efficiency in the state's transportation system.



Sen. Horn discusses the state transportation package at a news conference during the legislative session.

In late April, the Legislature passed a state transportation funding package that aims to produce nearly \$4.2 billion for projects over the next 10 years. It is our state's first major transportation investment in at least a dozen years.

The key part of the funding plan is a 5-cent increase in the state gas tax. This gives us a state gas tax of 28 cents a gallon. The money from the gas tax increase goes into a "Nickel Fund." Money from this fund is to be spent on specific projects on a list created by the Legislature. When the bonds are paid off for the highway projects funded by the gas tax hike (in 20-35 years), the 5-cent increase will go away.

Other parts of the funding plan include a 0.3 percent sales tax on motor vehicles and a 15 percent gross-weight fee increase for commercial trucks.

The budget includes \$2.22 billion for projects in King, Pierce and Snohomish counties — where the worst traffic choke points are located. Several Eastside projects are funded:

- I-90 lane reconfiguration between downtown Seattle and I-405. There currently are eight lanes along this stretch of I-90. When the project is completed, there will be 10 lanes, including two-way all-day transit and HOV lanes.
- An additional lane on northbound I-405 from NE 70th to NE 124th and one extra lane on southbound 405 from SR-522 to SR-520.
- An additional lane in both directions on I-405 between SE 8th and I-90.
- An additional lane in both directions on I-405 near the SR-167 interchange.
- Construction of HOV lanes on SR-520 in both directions through Redmond to SR-202, as well as completion of the interchange at SR-202, including a fly-over ramp from westbound 202 to westbound SR-520.
- An off-ramp from I-405 near the UW-Woodinville campus.

While the transportation budget focuses largely on highways, it includes substantial funding for public transportation, ferries and rail, including \$165 million for track improvements between Bellingham and Vancouver, Clark County, and \$45 million for capital projects to improve freight movement.

The accountability and efficiency bills passed by the Legislature include:

- Creating a Transportation Performance Audit Board that will direct a thorough two-step performance review and audit process. The TPAB will consist of 10 members, including citizens with expertise in transportation planning, construction, engineering and project management.
- Continuing an effort started in 2001 to streamline the environmental permitting process for construction projects by adding specific timelines for competing this process.
- Involving legislators directly in planning local construction projects.
- Authorizing public transportation benefit areas and ferry districts to operate passenger-only ferry service.

New capital budget focuses on job creation, college campus needs

During the special session, the Legislature passed a \$2.6 billion, two-year state capital construction budget. The capital budget pays for maintaining existing state-owned facilities, including public schools, colleges and universities, parks and prisons. The new capital budget aims to create nearly 14,000 jobs throughout Washington in construction and other fields.

The capital budget also focuses on the expansion needs of our state's colleges and universities. The higher education enrollment demand in Washington is expected to hit its peak by 2008, and our campuses aren't ready for it. This capital budget funds additional campus building projects to meet this challenge. The budget includes funding for several campus projects on the Eastside:

- **Bellevue Community College:** \$14 million for "D" building renovation, National Workforce Center for Emerging Technologies (NWCET) expansion and work on the science and technology building;
- **Cascadia Community College:** More than \$300,000 for the Science Building and Center for Arts, Technology and Communications; and
- **Lake Washington Technical College:** \$4.42 million for renovations to the East and West buildings.

Legislature addresses high costs of prescription drugs

During the special session, the Legislature approved a prescription drug reform bill that makes drugs more affordable for low-income people and the state. The measure (Senate Bill 6088) directs state agencies, which now may pay different prices for the same drug, to pool their purchasing and use that buying power to negotiate discounts. State agencies are allowed to adopt a "preferred" drug list created by a committee of medical professionals. People age 50 and older with an annual income of less than three times the federal poverty level are allowed to join the buying pool and get the lower prices. Disabled adults under age 50 who meet the same income requirements can also join the pool. It is estimated this measure will save the state \$16 million over the next two years.

